

Message Text

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DEPT FOR OES

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SUBJECT: CII MERGES WITH HONEYWELL-BULL

REF: PARIS 07082

PARIS A-225, APR 12, 1974

SUMMARY: MINISTER INDUSTRY AND RESEARCH ANNOUNCED MAY
12, 1975 GOF APPROVAL MERGER FRENCH COMPUTER FIRM CII
WITH HONEYWELL-BULL. REPORTEDLY HONEYWELL TO SELL
19 PERCENT ITS EQUITY IN HB FOR \$53 MILLION GIVING FRENCH
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53 PERCENT INTEREST IN NEW FIRM CII-HB.

1. MINISTER OF INDUSTRY AND RESEARCH MICHEL D'ORNANO ANNOUNCED LATE MAY 12, 1975 GOF DECISION TO JOIN COMPAGNIE INTERNATIONALE POUR L'INFORMATIQUE (CII) WITH FORMERLY AMERICAN CONTROLLED HONEYWELL-BULL. NEW FIRM TO BE 53 PERCENT FRENCH CONTROLLED WITH HONEYWELL RETAINING 47 PERCENT OF EQUITY INTEREST. HONEYWELL TO BE PAID \$53 MILLION FOR 19 PERCENT OF ITS HOLDINGS IN HB AND TO SUPPLY TECHNOLOGY AND MARKETING INFRASTRUCTURE. ANNOUNCEMENT STRESSED GOF WILL EXERCISE VETO CONTROL OVER NEW FIRM AND GAVE ASSURANCE NO UNEMPLOYMENT WOULD RESULT FROM MERGER.

2. DECISION ENDS OVER 12 MONTHS' INTENSE DEBATE ON ISSUE AND VIEWED AS EFFORT TO SALVAGE FINANCIALLY AILING CII. GOF WILL HAVE TO CONTINUE SUBSIDIES TO NEW GROUP BUT D'ORNANO STATED CII-HB SHOULD BE ECONOMICALLY VIABLE WITHIN FOUR YEARS GIVEN STRENGTH IT WOULD GAIN IN DOMESTIC AND FOREIGN MARKETS INCLUDING US.

3. DE L'ETOILE, DIRECTOR GENERAL OF INDUSTRY, TOLD MINECON TO-DAY THAT DECISION HAD BEEN A DIFFICULT ONE, IMPLIED THAT THERE HAD BEEN STRONG OPPOSITION TO IT WITHIN THE GOVERNMENT AND EXPRESSED CONCERN ABOUT PRESS OPPOSITION THAT HAD BEGUN TO DEVELOP. HE VIEWED THE DECISION AS AN INDICATION OF THE WILLINGNESS OF THE GISCARD GOVERNMENT TO SEEK CLOSER ECONOMIC TIES WITH THE U.S. WHEN THIS SERVED FRENCH INTERESTS, REGARDLESS OF GAULLIST PUBLIC RHETORIC.

4. TAKEN AT THE HIGHEST LEVEL OF THE GOF, THE DECISION APPEARS TO BE THE RESULT OF A LACK OF OTHER ALTERNATIVES. KNOWING THAT A COMPUTER INDUSTRY WITHOUT ACCESS TO THE AMERICAN MARKET IS NOT VIABLE, THE GOF HAS MADE A SUDDEN, THOUGH CAREFULLY CONSIDERED, DECISION TO RESOLVE A TWELVE-YEAR-OLD PROBLEM. GOF JUDGMENT WILL BE CRITICIZED BY THE UNITED LEFT OPPOSITION WITH THE COMMUNISTS ALREADY BEWAILING THE LOSS OF THIS "CRUCIAL LINK IN NATIONAL INDEPENDENCE" TO THE AMERICANS. YET TO BE HEARD FROM ARE THE GAULLIST BARONS AND OTHERS IN LIMITED OFFICIAL USE

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THE UDR WHO HAVE MADE AN INDEPENDENT FRENCH COMPUTER CAPABILITY AN ARTICLE OF FAITH SINCE THE MID-1960'S (AND WHO HAVE CONSISTENTLY IGNORED THE EXTENT TO WHICH THE GAULLISTS SUPPORTED THE ORIGINAL GE BUY INTO MACHINAS BULL). WHILE THERE MAY BE GRUMBLING ON THE GAULLIST RIGHT AND HEATED RHETORIC FROM THE OPPOSITION, THE GOVERNMENT IS IN A GOOD POSITION TO ARGUE THAT THE SALE WILL SAVE FRENCH JOBS, AND DURING THIS PERIOD OF

UNPRECEDENTED UNEMPLOYMENT, SHOULD COME OUT OF THE SALE
WITHOUT ITS POPULARITY BEING NOTICEABLY DIMINISHED.
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